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Federal Industries Ltd. Forty-Fourth Annual Report-1973

Federal Industries Ltd.

Head Office:

2400–One Lombard Place, Winnipeg, Manitoba

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The Company and its Subsidiaries

FEDERAL INDUSTRIES LTD.

Citation Cabinets Ltd.

Neptune Terminals Ltd.

Standard Aero Engine Limited

Panco Poultry Ltd.

The White Pass and Yukon Corporation Limited

TRANSFER AGENT AND REGISTRAR

The Royal Trust Company

Calgary, Montreal, Toronto and Winnipeg

Board of Directors

Officers

G. AITKEN

Independent Consultant

T. COHEN

President

Panco Poultry Ltd.

W. R. FLESHER

Vice-President

Federal Industries Ltd.

R. G. GRAHAM

President

Inter-City Gas Limited

R. A. HUBBER-RICHARD

President

Neptune Terminals Ltd.

† A. S. LEACH

Chairman of the Board

Federal Industries Ltd.

† A. S. LEACH, JR.

Vice-President

Federal Industries Ltd.

° J. B. MACAULAY

Aikins, MacAulay & Thorvaldson

° E. H. MONCRIEFF

President

Standard Aero Engine Limited

° J. D. RILEY

President

Dominion Bronze Limited

° C. L. SEARLE

Professor, Department of Electrical Engineering

Massachusetts Institute of Technology

† S. A. SEARLE, JR.

President & Chief Executive Officer

Federal Industries Ltd.

° *Member of the Audit Committee*

† *Member of the Executive Committee*

A. S. LEACH

Chairman of the Board

S. A. SEARLE, JR.

President & Chief Executive Officer

W. R. FLESHER

Vice-President

A. S. LEACH, JR.

Vice-President

R. B. KELLEY

Treasurer

W. D. DAVIE

Secretary

A. K. SCHELLENBERG

Assistant Secretary

Report to the Shareholders

Your directors are pleased to present the Annual Report and audited statements of Federal Industries Ltd. and subsidiaries for the year ended July 31, 1973, the Company's forty-fourth year.

Of greatest significance, during the year, was the reinvestment of the proceeds resulting from the earlier sale of the Company's grain business. More than two hundred investment proposals were considered and resulted in two acquisitions. In March, 1973, we purchased a 77.5% interest in Citation Cabinets Ltd. In May and June, 1973, we purchased 50.2% of the common shares of The White Pass and Yukon Corporation Limited by means of a private purchase followed by a public tender offer. The total cost of the Citation and White Pass investments was slightly in excess of twenty million dollars. An outline of their activities is included in the President's report.

Net earnings for the year, including extraordinary items, amounted to \$2,257,000 or 66 cents per common share. Net earnings per common share after excluding extraordinary items were 59 cents. For the previous year the comparative figures were \$2.25 and \$1.25 per common share respectively. The 1972 figures reflect the earnings realized from the sale of the grain business, as compared with the relatively low rate of return available for the short term deposits in which our cash position was invested during most of our recent fiscal year.

This year's earnings include the operations for four months of Citation Cabinets Ltd. and earnings from The White Pass and Yukon Corporation Limited for a shorter period in which we owned varying percentages of the shares. Last year we reported to shareholders that the total net profits for the non-grain subsidiaries, Neptune Terminals Ltd., Panco Poultry Ltd. and Standard Aero Engine Limited, were \$1,117,589. The comparable figure for the most recent year was \$1,440,116.

During the year we underwent a change of corporate name to the present Federal Industries Ltd., from Federal Grain Limited, to reflect more accurately the nature of our corporate operations.

Your Board recently passed a resolution to have the fiscal year of the Company end on March 31st of each year, subject to the approval of the Department of National Revenue. This change from July 31st will provide a common year-end for the majority of our subsidiaries.

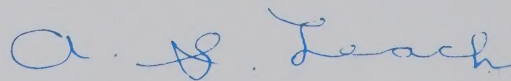
During the year Messrs. G. H. Sellers, C. Gordon Smith and J. T. Tryon retired from your Board. Mr. Sellers had been associated with the Company since 1933 and became a director in 1955. In 1963 he was appointed President and Chief Executive Officer which position he held until 1972. During his term as President he led the Company through a period of growth and diversification. We express our gratitude to Mr. Sellers for his dedication to the Company. Mr. C. Gordon Smith served as a director since 1963 and Mr. Tryon since 1965, in addition to being a valued officer. Each contributed meaningfully to your Board.

Three new members have been appointed to fill the vacancies: Mr. R. G. Graham, Mr. George Aitken and Mr. W. R. Flesher. Mr. Graham has been associated with Inter-City Gas Limited for the past 15 years and is now their President. Mr. George Aitken is an independent consultant in Winnipeg. Formerly he was Vice-President Administration with The Great-West Life Assurance Company. Mr. Walter Flesher has been with your Company since 1967, first as Director of Corporate Planning, then as General Manager of Country Operations until the sale to the Pools last year. He is now a Vice-President, resident in Vancouver.

The directors wish to express their sincere appreciation to all Company personnel for their dedicated and efficient service. We also thank our shareholders for their continued support.

We look forward to favourable results in the coming year.

On behalf of your Board of Directors.



A. S. LEACH
Chairman of the Board

October 12, 1973.

Message from the President

I would like to take this opportunity to report to shareholders on the operations of your company and its subsidiaries for the past year and to comment on the outlook for the future.

Standard Aero Engine Limited

Standard Aero continues to perform well with a further increase in sales for the fourth consecutive year. Both overhaul and product sales have increased over last year, and employment has again increased over the record level which was reported in 1972.

A new 20,000 sq. ft. inventory and materials handling building has been completed, and plans are being prepared to renovate and modernize areas of the main plant which have been made available by occupancy of the new building.

A new high technology process will be introduced during 1974. This process involves the application of a hard plastic coating at extremely close tolerances to turbine engine compressor cases. This work is presently being subcontracted to the United States. In addition to a substantial cost saving, the equipment will considerably enhance the company's present machining and welding capabilities.

The company's aggressive approach to marketing by providing country-wide outlets for its engine overhauls and product lines has proven successful. Market studies over the past year have indicated that a Sales Office should be opened in Ottawa.

Accordingly, arrangements have been made to lease space at the Ottawa International Airport, and an Ottawa Branch Office will open early in 1974.

Standard Aero Engine Limited looks forward to a continued expanding market for its product and services through 1973-74.

Neptune Terminals Ltd.

I am pleased to report that both increased operational efficiency and continued growth in the tonnages handled by the facility have contributed to improved financial results from this subsidiary.

The achievement of these better results has been attained in spite of labour unrest which from time to time continues to affect the operation adversely. We are fortunate that the facility itself has been carefully designed to take fullest advantage of automation and mechanization. Despite this, labour disputes on the waterfront and in the inter-connected industries have on occasion caused business disruption.

Subsequent to July 31, 1973, we purchased full ownership of the coal handling facilities which we had been leasing and in which we were committed to purchase a one-half interest in 1974.

Prospects of increased tonnages on many of the products handled look encouraging.

One of our coal customers recently announced the increase of their previous commitment with the Japanese by a further half million tons per annum, now making the tonnage that we will handle for this customer 1½ million tons per annum.

During 1973 at the request of the Saskatchewan government, the potash industry was reorganized and an association to control offshore exports was formed. Current indications are that 1973-74 potash tonnages shipped will be considerably larger than those of recent years.

The tonnages and diversity of other products handled, such as phosphate rock, fertilizer, agricultural pelletized products, bentonite, and metal concentrates, also continue to grow as overseas demands remain at high levels for many of these products.

Earlier this year a contract was signed for the handling of rapeseed oil, and this has been moving in increasing tonnages on a regular basis.

The world demand for the resources and products produced in Western Canada is steadily growing. Total tonnage handled by us is increasing annually with consequent benefit to our bulk terminal facilities. The ensuing year should be a good one for both this industry and Neptune.

Panco Poultry Ltd.

High prices for beef have improved dramatically the demand and prices for poultry. The British Columbia Marketing Board prices for poultry have continued to be increased in advance of rising feed costs. These continuing conditions have given Panco a more satisfactory profit picture for the past year.

Our fastest growing operation is the "Further Processing Department," and in this connection we are considering increases in facilities and equipment in both primary and secondary processing operations.

We anticipate continued strong demand for poultry products through 1974 at prices close to current levels.

Citation Cabinets Ltd.

Citation operates a plant in Vancouver with warehouses and sales offices in Calgary, Edmonton and Winnipeg. The company is one of Western Canada's leading manufacturers of kitchen cabinets and bathroom vanities for the single family and multiple dwelling market. Citation has shown rapid growth in share of market and earnings over the last four years. Recently we have purchased the plant and land in Vancouver which were previously leased. This action will strengthen the position of the company.

Although there may be an overall drop in housing starts in Canada during 1973-74, we anticipate that the house construction situation in Western Canada will be more promising and that Citation should continue to expand its sales position at a satisfactory rate in the next year.

The White Pass and Yukon Corporation Limited

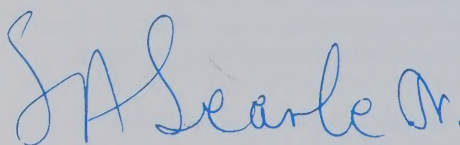
White Pass, our most recent investment, celebrates this year its 75th anniversary of the commencement of transport operations in the Yukon. The Company over this long period has been dedicated to the development of the Yukon Territory and Northern Canada. The substantial development of the mining industry in the Yukon and Northern B.C. has been aided by this company.

It now operates an integrated transportation system consisting of two container ships, 110 miles of railway from Skagway to Whitehorse, a large fleet of trucks, and a 4 inch pipeline from Skagway to Whitehorse. In addition to terminal facilities at Vancouver and Skagway, it operates an oil and gas marketing department in the Yukon.

The area the company serves is an exciting one. Present higher prices and demand for base metals have enabled mines to reopen. Plans for increased production and development of new mines proceed with greater confidence.

A noticeable increase in mineral exploration has taken place this year with the number of permits issued doubling over 1972. Construction is continuing on the Dempster Highway and by 1976 it is anticipated it will be linked in to the Mackenzie Delta, opening up this area to year round surface transport.

With the successful completion of this current phase of our acquisition plans, I look forward optimistically to the continued overall improvement in the profit performance of your Company.



STEWART A. SEARLE, JR:
President.

October 12, 1973

Auditors' Report

TOUCHE ROSS & CO.

213 NOTRE DAME AVENUE
WINNIPEG, MANITOBA R3B 1N3
(204) 942-0051

To the Shareholders,
Federal Industries Ltd.,
Winnipeg, Manitoba.

We have examined the consolidated balance sheet of Federal Industries Ltd. and its subsidiary companies as at 31st July 1973 and the consolidated statements of retained earnings, earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at 31st July 1973 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Winnipeg, Manitoba,
4th October 1973.

Touche Ross & Co.
Chartered Accountants

Federal Industries Ltd. & its Subsidiary Companies

Consolidated
AT 31st

Assets

CURRENT

Cash	
Short term investments, at cost	
Accounts receivable—Note 4	
Inventories, valued at the lower of cost and net realizable value	
Prepaid expenses and sundry assets	

Total Current Assets

INVESTMENTS—Note 5

FIXED

Property, plant and equipment, at cost	
Accumulated depreciation	

DEFERRED

Deferred income taxes	
Deferred charges and sundry assets	

OTHER

Excess of cost of shares of subsidiary companies over the book amount of net assets acquired, less amounts amortized—Note 6	
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1973	1972
\$ 118,639	\$ 310,260
9,757,101	15,000,000
15,274,721	17,956,455
15,868,544	7,056,344
686,461	277,709
<u>41,705,466</u>	<u>40,600,768</u>
<u>595,723</u>	<u>269,447</u>
77,863,942	18,851,031
25,236,955	6,015,328
<u>52,626,987</u>	<u>12,835,703</u>
—	938,298
299,138	332,674
<u>299,138</u>	<u>1,270,972</u>
10,054,358	3,661,622
<u>\$105,281,672</u>	<u>\$ 58,638,512</u>

On behalf of the Board

A. S. LEACH, Director

S. A. SEARLE, JR. Director

Balance Sheet

JULY 1973

Liabilities

CURRENT

Bank indebtedness, secured
Accounts payable and accrued liabilities
Income taxes
Dividends
Current portion of long term debt

1973
\$ 13,509,522
9,511,629
1,123,712
343,890
<u>1,210,818</u>

1972
\$ 1,685,472
6,411,116
3,350,064
343,890
<u>1,001,608</u>

Total Current Liabilities

25,699,571

12,792,150

LONG TERM—Note 7

11,749,006

4,049,086

DEFERRED INCOME TAXES

6,112,966

—

MINORITY INTEREST—Note 8

19,041,438

—

Total Liabilities

62,602,981

16,841,236

Shareholders' Equity

CAPITAL STOCK—Note 3

Common

Authorized—6,000,000 shares, no par value

Issued and fully paid—3,438,900 shares

14,367,300

14,367,300

RETAINED EARNINGS

28,311,391

27,429,976

Total Shareholders' Equity

42,678,691

41,797,276

\$105,281,672

\$ 58,638,512

Federal Industries Ltd. & its Subsidiary Companies

CONSOLIDATED STATEMENT OF RETAINED EARNINGS FOR THE YEAR ENDED 31st JULY 1973

	1973	1972
Balance at beginning of year	\$ 27,429,976	\$ 21,157,093
Net earnings for the year	<u>2,256,975</u>	<u>7,969,510</u>
	<u>29,686,951</u>	<u>29,126,603</u>
Dividends paid on preferred shares	—	239,907
Dividends paid on common shares	1,375,560	1,365,760
Premium paid on redemption of preferred shares including income taxes thereon of \$15,160	<u>—</u>	<u>90,960</u>
	<u>1,375,560</u>	<u>1,696,627</u>
Balance at end of year	<u>\$ 28,311,391</u>	<u>\$ 27,429,976</u>

Federal Industries Ltd. & its Subsidiary Companies

CONSOLIDATED STATEMENT OF EARNINGS FOR THE YEAR ENDED 31st JULY 1973

	1973	1972 (As restated)
Sales and service—Notes 1 and 2	\$ 54,034,765	\$ 33,154,867
Cost of sales and operating expenses—Note 9	47,618,185	29,398,347
Depreciation and amortization	1,700,314	894,336
Amortization of goodwill—Note 6	135,464	98,900
Interest on long term debt	489,588	390,740
	<u>49,943,551</u>	<u>30,782,323</u>
Earnings from continuing operations	4,091,214	2,372,544
Earnings from discontinued grain operations (including profit from sale of grain inventories in 1972)—Note 2	<u>—</u>	<u>6,066,681</u>
Earnings from operations	4,091,214	8,439,225
Income from investments	1,168,356	48,913
Gain on disposal of fixed assets	<u>79,900</u>	<u>178,022</u>
Earnings before income taxes and extraordinary items	5,339,470	8,666,160
Provision for income taxes	<u>2,621,360</u>	<u>4,078,860</u>
Earnings before extraordinary items	2,718,110	4,587,300
Extraordinary income from investments	<u>—</u>	<u>908,500</u>
Net gain on disposal of grain assets and operations—Note 10	<u>219,416</u>	<u>2,473,710</u>
Net earnings	2,937,526	7,969,510
Portion allocated to minority shareholders—Note 1	<u>680,551</u>	<u>—</u>
Net earnings for the year	<u>\$ 2,256,975</u>	<u>\$ 7,969,510</u>
Net earnings per common share	<u>\$.66</u>	<u>\$2.25</u>
Net earnings per common share, excluding extraordinary items	<u>\$.59</u>	<u>\$1.25</u>

Federal Industries Ltd. & its Subsidiary Companies

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 31st JULY 1973

SOURCE OF FUNDS	1973	1972
Operations		
Net Earnings	\$ 2,256,975	\$ 7,969,510
Add Depreciation and amortization	1,700,314	2,442,922
Amortization of goodwill	135,464	98,900
Deferred income taxes	995,227	(3,746,496)
Earnings allocated to minority shareholders	680,551	54,563
Write off of goodwill on sale of assets	—	92,655
Write off of deferred pension expense	—	392,618
	5,768,531	7,304,672
Minority interest in subsidiary companies acquired	18,453,699	—
Disposal of investments	95,881	1,306,165
Decrease in deferred charges and sundry assets	232,678	133,953
Disposal of grain fixed assets, net of additions	—	24,778,109
Issue of common shares	—	290,500
	24,550,789	33,813,399
Decrease in working capital	11,802,723	—
	\$ 36,353,512	\$ 33,813,399
 APPLICATION OF FUNDS		
Acquisition of subsidiary companies		
Fixed assets acquired, net of long term debt and deferred income taxes	\$ 23,410,315	\$ —
Other non-current assets acquired	621,299	—
Excess of cost of shares of subsidiary companies over the book amount of net assets acquired	6,528,200	—
Purchase of fixed assets, net of disposals	1,645,697	1,499,774
Long term debt reduction	2,679,629	20,669,036
Dividends	1,375,560	1,605,667
Dividends paid by subsidiary companies to minority shareholders	92,812	187,625
Decrease in deferred retirement benefits	—	745,553
Elimination of minority interest	—	625,737
Redemption of preferred shares	—	3,790,000
Premium and income taxes on redemption of preferred shares	—	90,960
	36,353,512	29,214,352
Increase in working capital	—	4,599,047
	\$ 36,353,512	\$ 33,813,399
 WORKING CAPITAL at 31st July	\$ 16,005,895	\$ 27,808,618

Federal Industries Ltd. & its Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st JULY 1973

1. Principles of Consolidation

- (a) The consolidated financial statements at 31st July 1973 include the accounts of the company and the following subsidiary companies:

	<i>% Ownership at 31st July 1973</i>
Bell's Limited	100%
Citation Cabinets Ltd.	77.5
Neptune Terminals Ltd.	100
Panco Poultry Ltd.	100
Seabar Equipment Ltd.	100
Standard Aero Engine Limited . .	100
The White Pass and Yukon Corporation Limited	50.22

- (b) The contribution to 1973 consolidated sales and services was as follows:

	<i>Months In Consolidation</i>	<i>Sales and Services For Months In Consolidation</i>
Citation Cabinets Ltd.	4	\$ 2,704,015
Neptune Terminals Ltd.	12	2,962,831
Panco Poultry Ltd.	12	19,836,998
Standard Aero Engine Limited . .	12	16,274,795
The White Pass and Yukon Corporation Limited	3	
Transportation revenue		8,496,660
Petroleum sales and related activities		3,759,466
		<u>\$54,034,765</u>

- (c) The company acquired 26.18% of the issued and outstanding common shares of The White Pass and Yukon Corporation Limited on 10th May 1973 and an additional 24.04% on 26th June 1973, being in the aggregate 50.22% of the issued common shares of that corporation. As a result, only 26.18% of the earnings of The White Pass and Yukon Corporation Limited for May and June 1973 were allocated to the company and the remaining 73.82% of such earnings were allocated to minority shareholders.
- (d) The accounts of certain subsidiaries are maintained in United States dollars. These accounts have been translated into Canadian dollars as follows: current assets and current liabilities at exchange rates prevailing at the end of the year; fixed assets, depreciation and long term debt substantially on the basis of rates prevailing at date of acquisition; income and expenses (other than depreciation) on the basis of average exchange rates during the year. Exchange gains or losses from such translation practices have been transferred to consolidated income or expense.

2. Restatement of 1972 Gross Earnings Figures

During 1972 the company sold all its assets related to its former grain operations. The 1972 consolidated earnings statement included in earnings from operations the results of grain operations for the seven and one-half months ended 15th March 1972. For comparative purposes, the figures relating to grain operations have been eliminated from sales and services, cost of sales, etc., and the results of grain operations have been shown as a separate item of income under the caption "Earnings from discontinued grain operations."

3. Capital Stock

The maximum consideration for the issuance of the authorized common shares is \$20,000,000.

On 31st March 1969, the company granted options for the purchase of 100,000 common shares at a price of \$10.00 per share as part of the consideration for the purchase of Neptune Terminals Ltd. These options may be exercised at any time prior to 1st April 1974. None of these options were granted to directors or officers of the company.

4. Accounts Receivable

	1973	1972
Trade accounts	\$13,901,655	\$ 5,942,092
Other accounts receivable	1,373,066	2,740,000
Amounts arising from sale of grain operations	—	9,274,363
	<u>\$15,274,721</u>	<u>\$17,956,455</u>

5. Investments

	1973	1972
Mortgages and agreements for sale, at cost	\$ 553,681	\$ 224,022
Trade organizations, at cost	42,042	45,425
	<u>\$ 595,723</u>	<u>\$ 269,447</u>

6. Amortization of Goodwill

The excess of cost of shares of subsidiary companies over the book amount of net assets acquired is being amortized over a forty year period.

7. Long Term Liabilities

	1973	1972
Term bank loan	\$ 3,000,000	\$ 950,000
Notes payable	—	300,000
First mortgage bonds	2,334,000	2,500,000
4½% First debenture stock 1961-76	952,600	—
5% Debenture stock 1961-76	556,500	—
5½% Unsecured loan stock 1963-78	1,095,000	—
6½% First ship mortgage note 1966-80	840,000	—
8½% First ship mortgage note 1970-84	2,500,000	—
Mortgages payable	238,426	—
Other obligations	232,480	299,086
	<u>\$11,749,006</u>	<u>\$ 4,049,086</u>

The term bank loan of \$3,000,000 bears interest at 1% above prime rates and is repayable in annual amounts of \$1,000,000 commencing in 1975.

Notes payable of \$300,000 are included in current liabilities. These notes bear interest at 6%.

First mortgage sinking bonds of \$2,500,000 issued by a subsidiary prior to acquisition, bear interest at 8½%. \$166,000 is included in current liabilities and the balance of \$2,334,000 is repayable in annual amounts of \$166,000.

Federal Industries Ltd. & its Subsidiary Companies

The 4½% first debenture stock of \$952,600, 5% debenture stock of \$556,500, and 5½% unsecured loan stock of \$1,095,000 were issued by a subsidiary prior to acquisition. No amounts are due on these liabilities in 1974.

The 6½% first ship mortgage note of \$960,000 was issued by a subsidiary prior to acquisition. \$120,000 is included in current liabilities and the balance of \$840,000 is repayable in annual amounts of \$120,000 to 1981.

The 8½% first ship mortgage note of \$2,700,000 was issued by a subsidiary prior to acquisition. \$200,000 is included in current liabilities and the balance of \$2,500,000 is repayable in annual amounts of \$200,000 to 1980 and \$325,000 thereafter to 1984.

Mortgages payable amount to \$250,426, less \$12,215 included in current liabilities.

Other obligations amount to \$645,083, less \$412,603 included in current liabilities.

8. Minority Interest

	1973	1972
Minority interest in—		
6¾% preferred shares of		
a subsidiary company	\$ 5,500,000	\$ —
Equity of common share—		
holders of subsidiary		
companies	13,541,438	—
	<u>\$19,041,438</u>	<u>\$ —</u>

9. Directors Remuneration

The remuneration received by directors and officers during the year ended 31st July 1973 was as follows:

	1973		1972	
	As Directors No. Amount	As Officers No. Amount	As Directors No. Amount	As Officers No. Amount
<i>From Federal Industries Ltd.</i>				
12 \$11,900	7	\$172,996	12 \$11,500	8 \$269,879°
<i>From subsidiaries</i>				
<i>Pacific Elevators Limited</i>			6 5,625	6 65,327°
<i>Panco Poultry Ltd.</i>	3	55,000		3 55,000
<i>Standard Aero Engine Limited</i>				
	3	75,769		2 80,770
<i>Neptune Terminals Ltd.</i>				
	4	40,000		

5 Officers are also Directors of the Company (1972—6 Officers)

° In addition to these amounts a provision was made in 1972 in the amount of \$501,810 for severance pay in respect of officers who were associated with the grain operations.

10. Net Gain on Disposal of Grain Assets and Operations

The net gain for 1973 is net of income taxes of \$210,800.

The net gain for 1972, which includes a recovery of income taxes of \$2,491,000, is net of minority interest in grain operations of \$54,563.

11. Contractual Obligations and Subsequent Events

(a) Prior to the acquisition of Neptune Terminals Ltd. in 1969, that company and its subsidiary companies had entered into contractual commitments as part of their future development plans. These included: long term leases on waterfront properties with annual rentals of \$281,000 expiring in 1977; an agreement to lease bulk commodity handling facilities for three years, commencing in 1970, with annual rentals of approximately \$800,000; and an agreement to purchase, in 1974, shares representing a one-half interest in another company for an estimated amount of \$4,300,000, such price being subject to adjustments for additional capital investments made and volume of business handled within the period.

On 27th September 1973, the company and certain of its subsidiaries entered into agreements to purchase full ownership of the bulk commodity handling facilities which they had been leasing and in which they were committed to purchase a one-half interest in 1974. The cost of acquiring these facilities along with other operating assets amounted to \$9,562,000, which is subject to reduction depending on the volume of business handled during the period ending 31st March 1986. The purchase price is payable \$6,000,000 in cash and the balance at an estimated \$400,000 a year, depending on the volume of business handled each year.

(b) As part of the agreement to acquire 77.5% of the shares of Citation Cabinets Ltd. the company assumed a commitment to purchase the remaining 22.5% of the shares, if requested, during the years 1974 to 1977, at a price to be based on the earnings of the subsidiary for those years.

On 26th September 1973 Citation Cabinets Ltd. exercised an option to purchase, for \$1,700,000, property that it had previously been leasing.

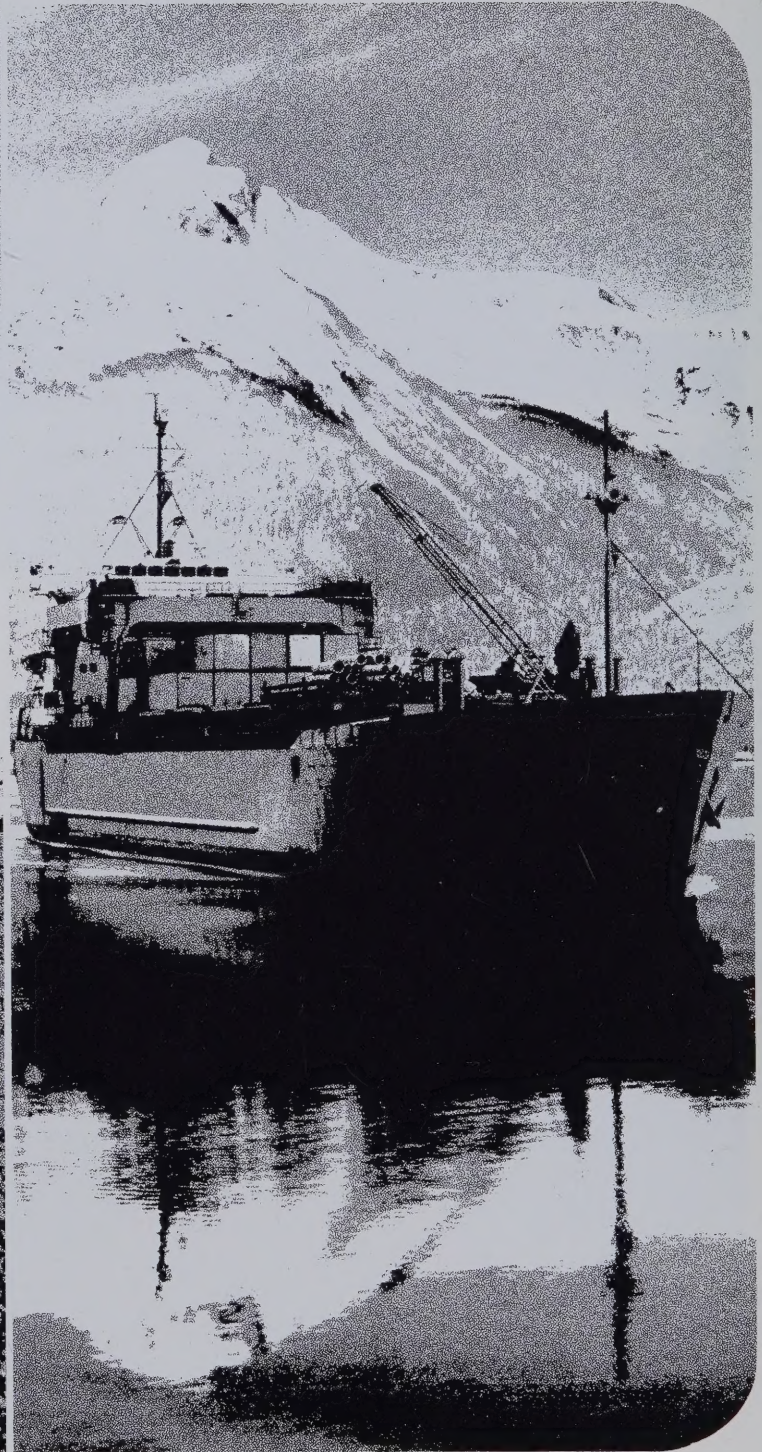
(c) The company has entered into long term leases for certain properties which require approximate annual rentals of \$225,000 to 1974 and thereafter \$210,000 to 1979. A provision for lease termination costs was made in the accounts at 31st July 1972 in respect of properties formerly used in the grain operations. The balance of this provision in the accounts at 31st July 1973 amounted to \$382,600.



The White Pass and Yukon Corporation Limited: North and south bound mixed passenger-container trains meet at historic Lake Bennett. It was at this spot the sourdoughs of 1898 built their boats and rafts for the trip down the Yukon River to the Klondike Gold fields.



*The White Pass and Yukon Corporation
Limited: Highway tractor trailer unit
carrying container loaded with 30 tons
of lead concentrate from mine site at
Anvil, 240 miles north-east of Whitehorse.*



*The White Pass and Yukon Corporation
Limited: The modern container ship
m.v. Frank H. Brown, 6,000 tons dead
weight, entering the harbour
at Skagway, Alaska.*

